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TO RUEHLO/AMEMBASSY LONDON IMMEDIATE 7892
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RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 4490
INFO IRAN COLLECTIVE PRIORITY

S E C R E T SECTION 01 OF 03 STATE 061123

SIPDIS

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TAGS: [ECON](#) [EFIN](#) [IR](#) [KNNP](#) [PARM](#) [PTER](#) [KS](#) [IS](#) [UK](#)
SUBJECT: ADDITIONAL INFORMATION ON BANK MELLAT SEOUL

REF: A. STATE 030247
[1](#)B. SEOUL 650

Classified By: ISN Patricia A. McNerney for reasons 1.4 (b) and (d).

[1](#)1. (U) This is an action request. Please see paragraph 3.

SUMMARY/BACKGROUND

[1](#)2. (S) The U.S. recently shared information with the ROKG on Bank Mellat Seoul's involvement in Iranian proliferation activities (REF A). The ROK's response (REF B) observed that the nonpaper we provided did not identify any questionable activities by Bank Mellat Seoul after November 2007. We now wish to provide additional information about Mellat Seoul's activities after November 2007. The USG believes Bank Mellat Seoul poses a significant risk for the facilitation of proliferation-related activities. We are providing this information to London and Tel Aviv in an effort to continue to share as much information as possible with them on Iran-related proliferation finance transactions.

OBJECTIVE/ACTION REQUEST

[1](#)3. (S/REL ROK, UK, ISRAEL) Washington requests Posts deliver the non-paper in paragraphs 4 or 5 as appropriate to host government officials in the ministries of foreign affairs and finance. Post should pursue the following objectives:

FOR SEOUL:

-- Thank Seoul for its continuing investigation of Bank Mellat Seoul's activities in its financial jurisdiction.

-- Provide additional information in the non-paper on Bank Mellat Seoul's activities in the ROK jurisdiction since November 2007.

-- Inform Seoul that the U.S. believes Bank Mellat Seoul continues to pose a significant risk for the facilitation of proliferation-related activities.

-- Urge South Korea, consistent with UNSCR 1803, to prohibit all transactions involving any dual-use technology to or for the benefit of Iran and establish reporting and/or licensing requirements for all transactions executed by Bank Mellat Seoul. The nature of Bank Mellat's activities suggests that South Korea should take a broad interpretation of the call for vigilance contained in paragraph 10 of UNSCR 1803 and once its investigation is complete, explore options for closing Bank Mellat Seoul.

FOR EMBASSIES LONDON AND TEL AVIV:

-- Provide additional information included in the nonpaper in

paragraph 5 to the UK and Israel on the involvement in Iranian proliferation activities of Bank Mellat Seoul.

-- Urge the UK and Israel to enhance scrutiny over transactions between Bank Mellat Seoul and banks in their jurisdiction.

FOR UK ONLY:

-- (S//REL UK) With regard to this information on activities of Bank Mellat Seoul, closing or tightly restricting operations of Bank Mellat Seoul would disrupt some Iranian procurement-related payments in East Asia, but Tehran and its foreign partners would retain several options for completing transactions including using cooperative foreign banks or possibly banks outside the region.

-- (S//REL UK) Note also that, in particular, the closure of Bank Mellat's Seoul branch could push more activity to the Hong Kong branch of Iranian State-owned Melli Bank PLC - the only other Iranian bank branch in East Asia. Similar to Bank Mellat Seoul, Melli Bank PLC Hong Kong has served an intermediary role in some of Tehran's proliferation-related purchases from Asia.

-- (S//REL UK) Note that Melli Bank PLC Hong Kong is a branch of the London-based Melli Bank PLC and is subject to UK

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jurisdiction. We would be interested in learning what measures the UK has taken or will take to ensure Melli Bank PLC Hong Kong does not support Iran's procurement of proliferation sensitive technology.

NONPAPER FOR THE ROK

14. (SECRET//REL ROK) BEGIN POINTS FOR THE ROK ONLY:

-- We would like to provide follow up information to the non-paper we provided you on April 1, 2008, on Bank Mellat Seoul's activities with Iranian entities. In your response to our nonpaper, you noted that Iranian transactions through Bank Mellat Seoul seemed to end in November 2007 when the ROKG increased its scrutiny of the bank.

-- We have additional information on the activities of Bank Mellat Seoul on behalf of Iranian defense-related entities in your jurisdiction since November 2007.

-- The U.S. has information that Bank Mellat Seoul has facilitated payments for a Malaysia-based Iranian procurement company, in purchases of aviation and electronics equipment for Iranian defense related entities since November 2007.

-- The payments were made from Iranian entities to the Malaysia-based procurement company's account with a Malaysian bank.

-- Bank Mellat Seoul was the intermediary bank on several payments originating from Iranian banks for the Malaysia-based Iranian procurement company from Iranian defense-related entities.

-- The efforts by these Iranian defense-related companies to use a procurement company in Malaysia are clearly an attempt by Iran to circumvent UNSC sanctions. UNSCR 1737 requires Member States to freeze not only the assets of designated entities, but also assets of entities owned or controlled by them or acting on their behalf. UNSCR 1803 calls upon states to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran and their branches and subsidiaries abroad, particularly Bank Melli and Bank Saderat.

-- Given Bank Mellat Seoul's role in evading UNSC sanctions, the ROKG should, consistent with UNSCRs 1737, 1747, and 1803, prohibit all transactions involving any dual-use technology to or for the benefit of Iran and establish reporting and/or licensing requirements for all transactions executed by Bank Mellat Seoul.

-- These measures would ensure that proliferation activities would not continue during the ROKG's investigation of Bank Mellat Seoul. Once your investigation is complete, we would encourage you to explore options for closing Bank Mellat Seoul to permanently ensure that Iran is prevented from using it to circumvent UNSC sanctions.

-- We look forward to working with you on this and other related security and counter-proliferation matters and are prepared to provide additional assistance, as appropriate.

END POINTS FOR ROK ONLY.

NONPAPERS FOR ROK, UK AND ISRAEL

15. (SECRET//REL UK, ISRAEL)

FOR ISRAEL AND THE UK ONLY:

-- We want to share the following information on Iranian proliferation-related financial transactions with you.

-- The U.S. has information that Bank Mellat Seoul has facilitated payments for Microset Systems Sdn Bhd (Microset), a Malaysia-based Iranian procurement company, in purchases of aviation and electronics equipment for Iranian defense-related entities since November 2007.

-- The payments were made to Microset from Iranian entities to Microset's Euro account with CIMB Bank in Malaysia.

-- Bank Mellat Seoul was the intermediary bank on several payments originating from Iranian banks for Microset from Iranian defense-related entities.

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-- We are concerned that the use of Microset, an Iranian procurement company based in Malaysia could be an effort by Iran to circumvent UNSC sanctions.

-- We look forward to working with you on this and other related security and counter-proliferation matters and are prepared to provide additional assistance, as appropriate.

END POINTS FOR ISRAEL AND THE UK.

REPORTING DEADLINE

16. (U) Post should report results by close of business within seven days of receipt of cable. Please slug replies for ISN, T, Treasury, NEA/IR, IO/PSC, and EAP/K. Please include SIPDIS in all replies.

POINT OF CONTACT

17. (U) Washington point of contact for follow-up information is Michelle New, ISN/CPI, (202) 647-0186, or newml@state.sgov.gov.

18. (U) Department thanks Post for its assistance.
RICE